

ON THE BRINK? COLORADO ECONOMIC OUTLOOK

25th Annual Demography Meeting

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Markets to be survived

Housing

Financial

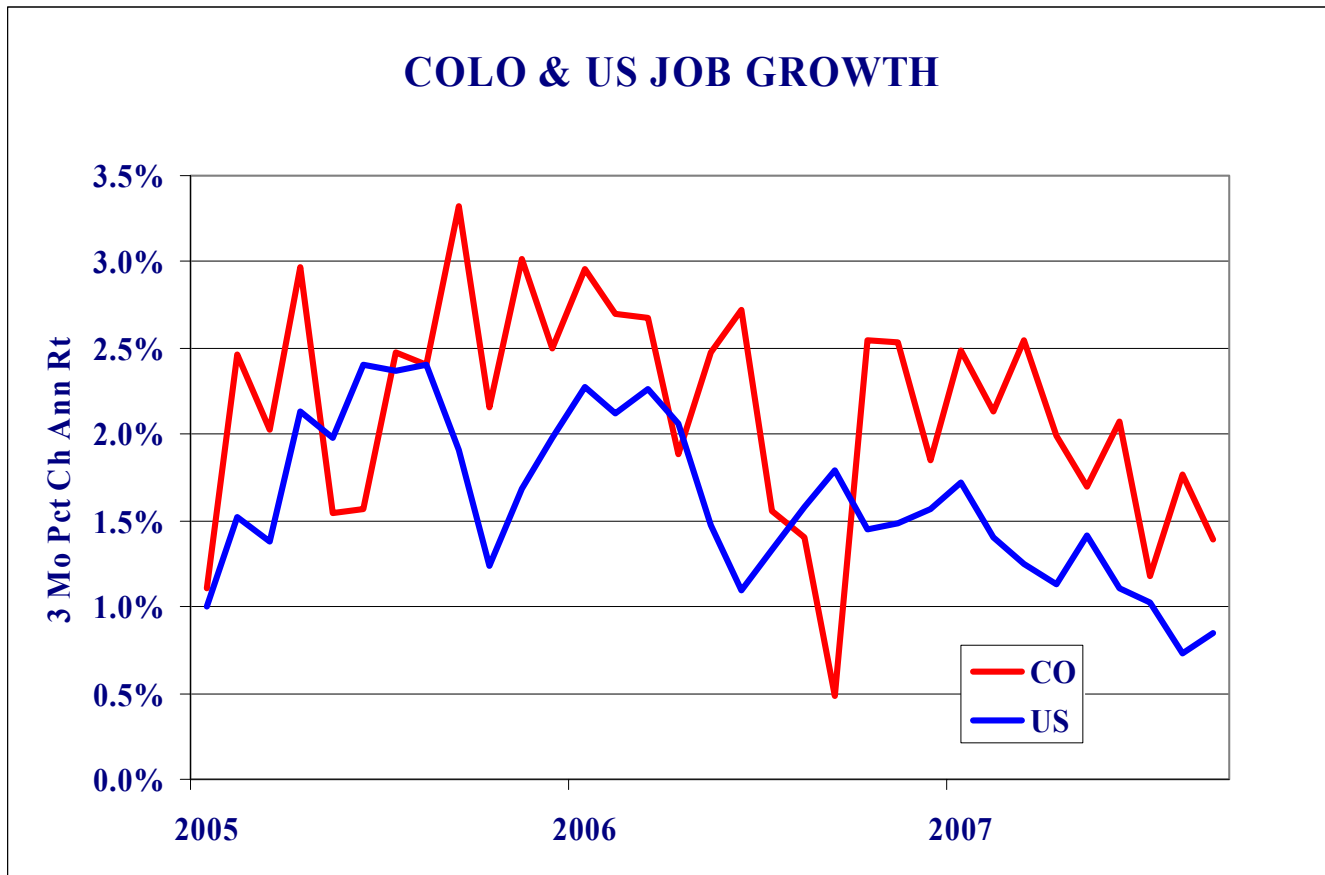
Commodity

Energy

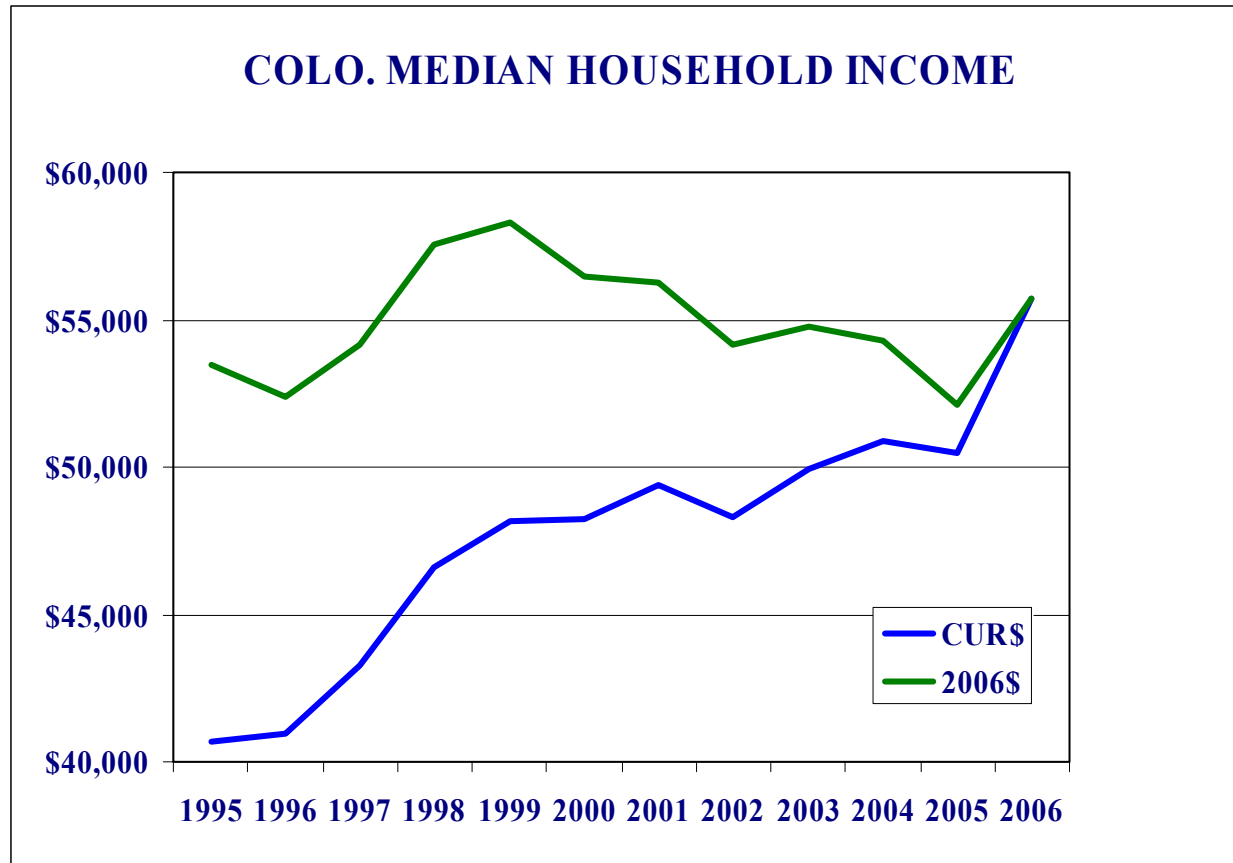
Colorado-Recent Developments

- **Growth is slowing**
- **Housing is slumping but worst may be over in state**
- **Energy is booming**
- **Income growth is not keeping pace with inflation**
- **Retail spending holding up surprisingly well**

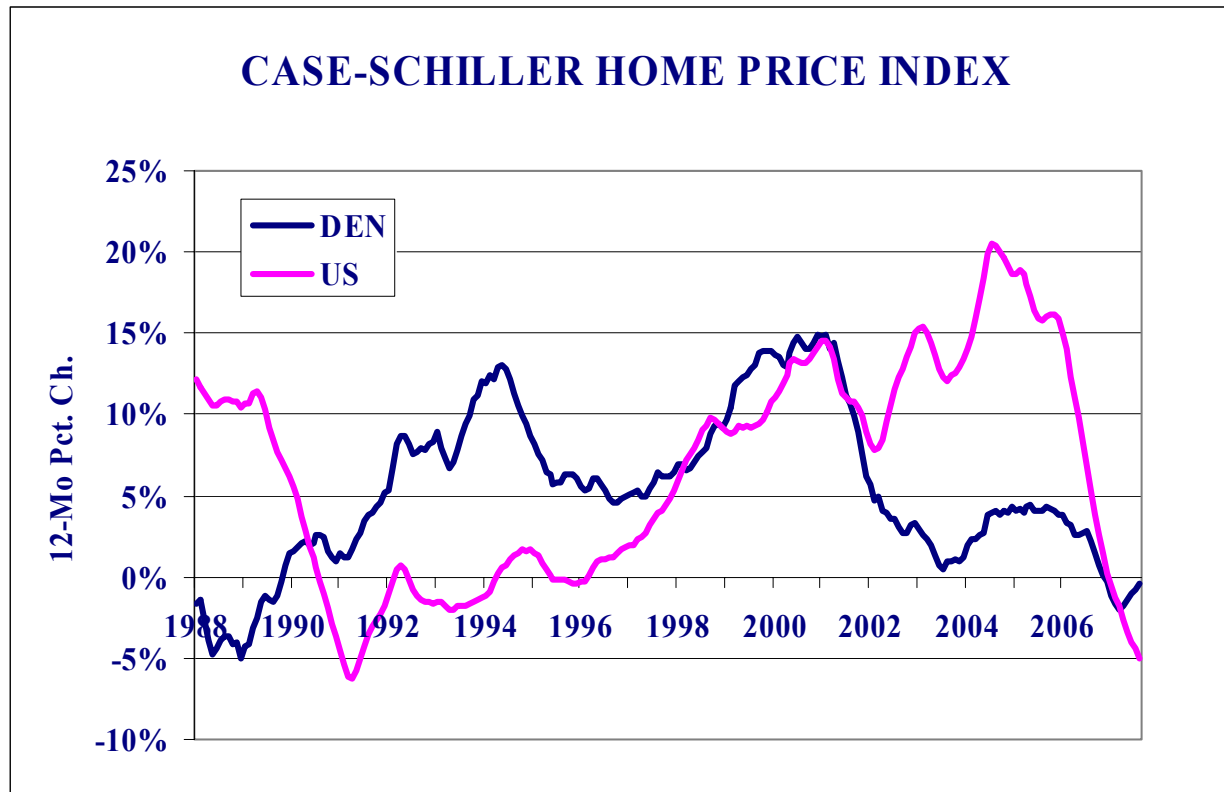
State job growth slowing but not as much as US



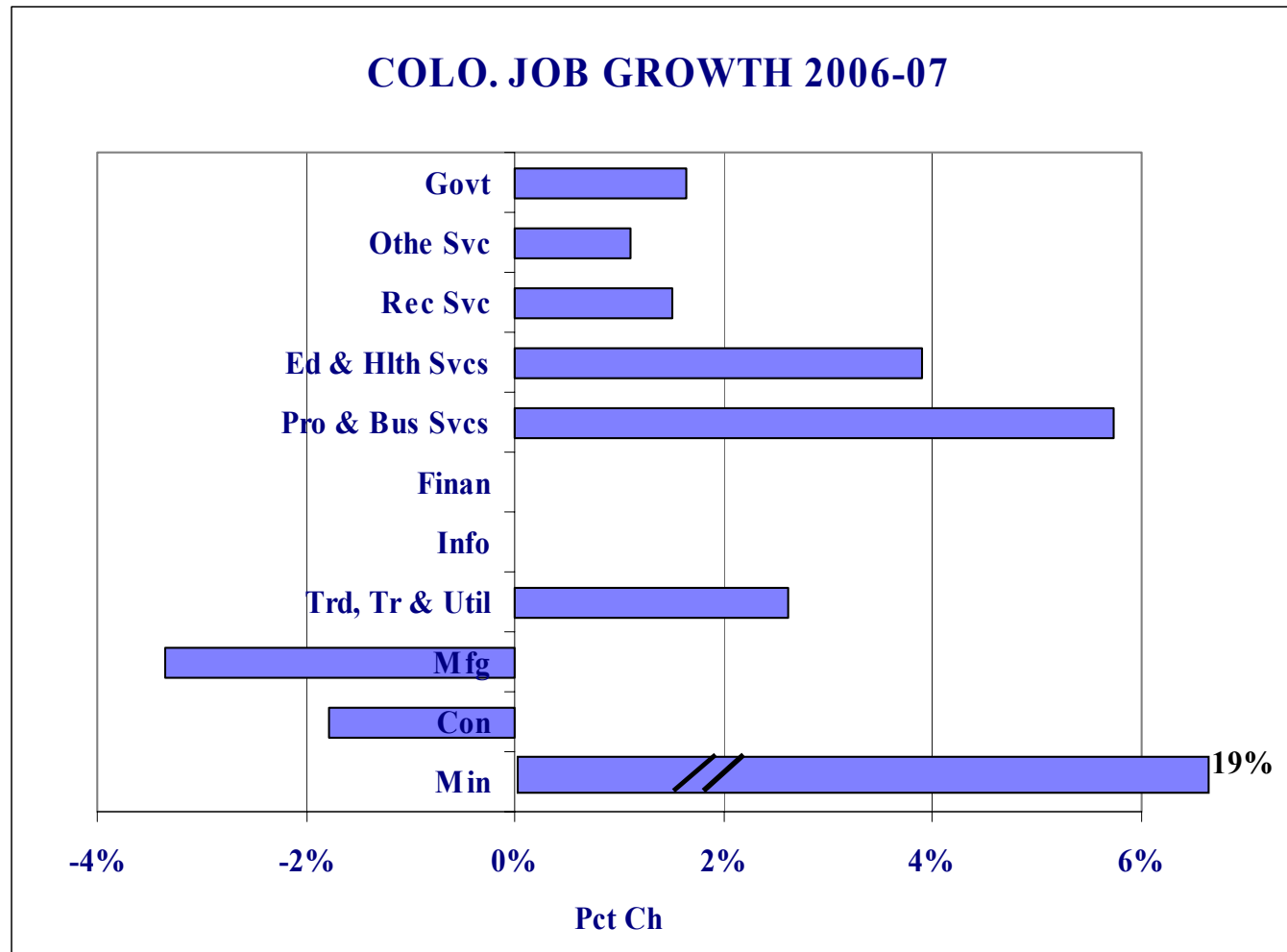
Colorado real household incomes are still below late 90s levels.



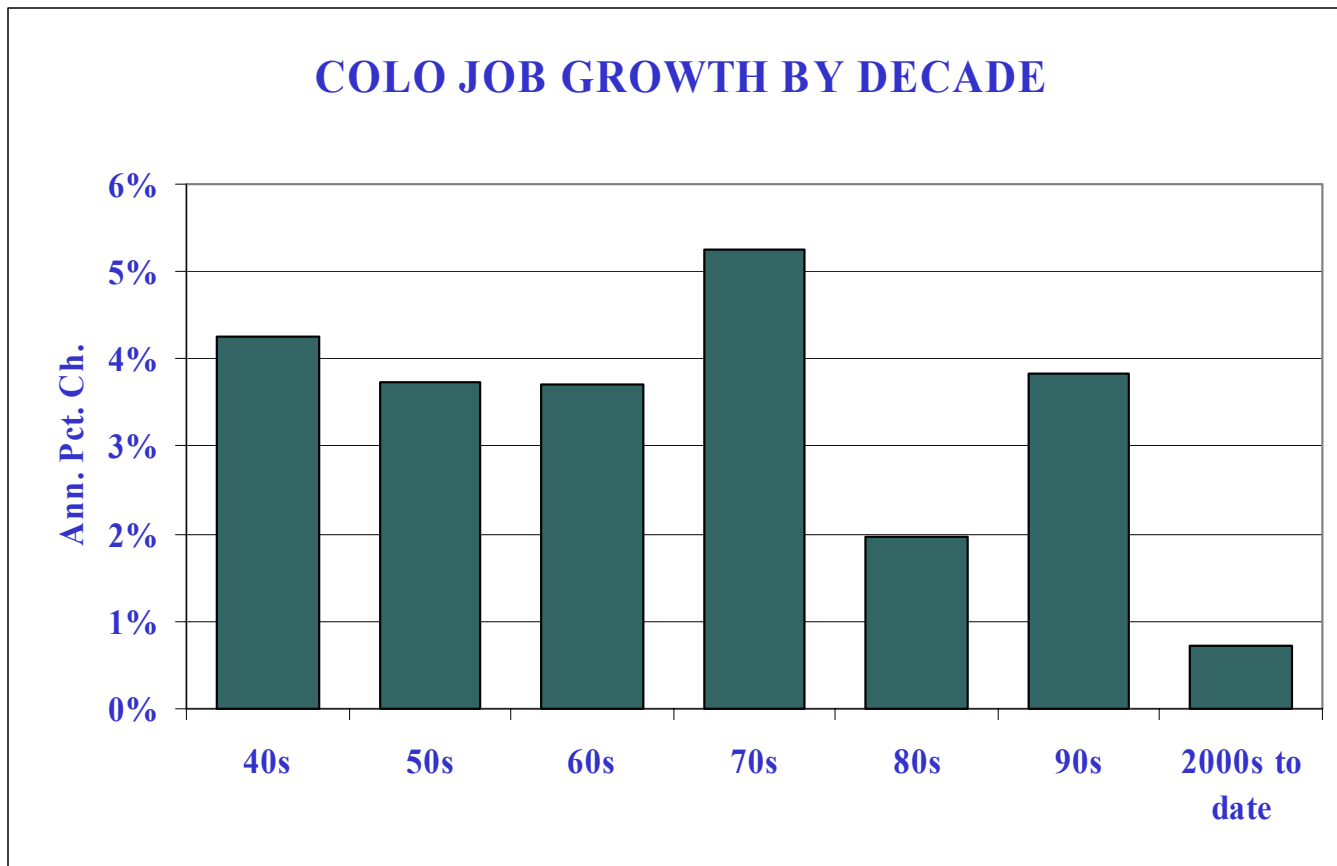
Colorado home prices have been flat last 5 years



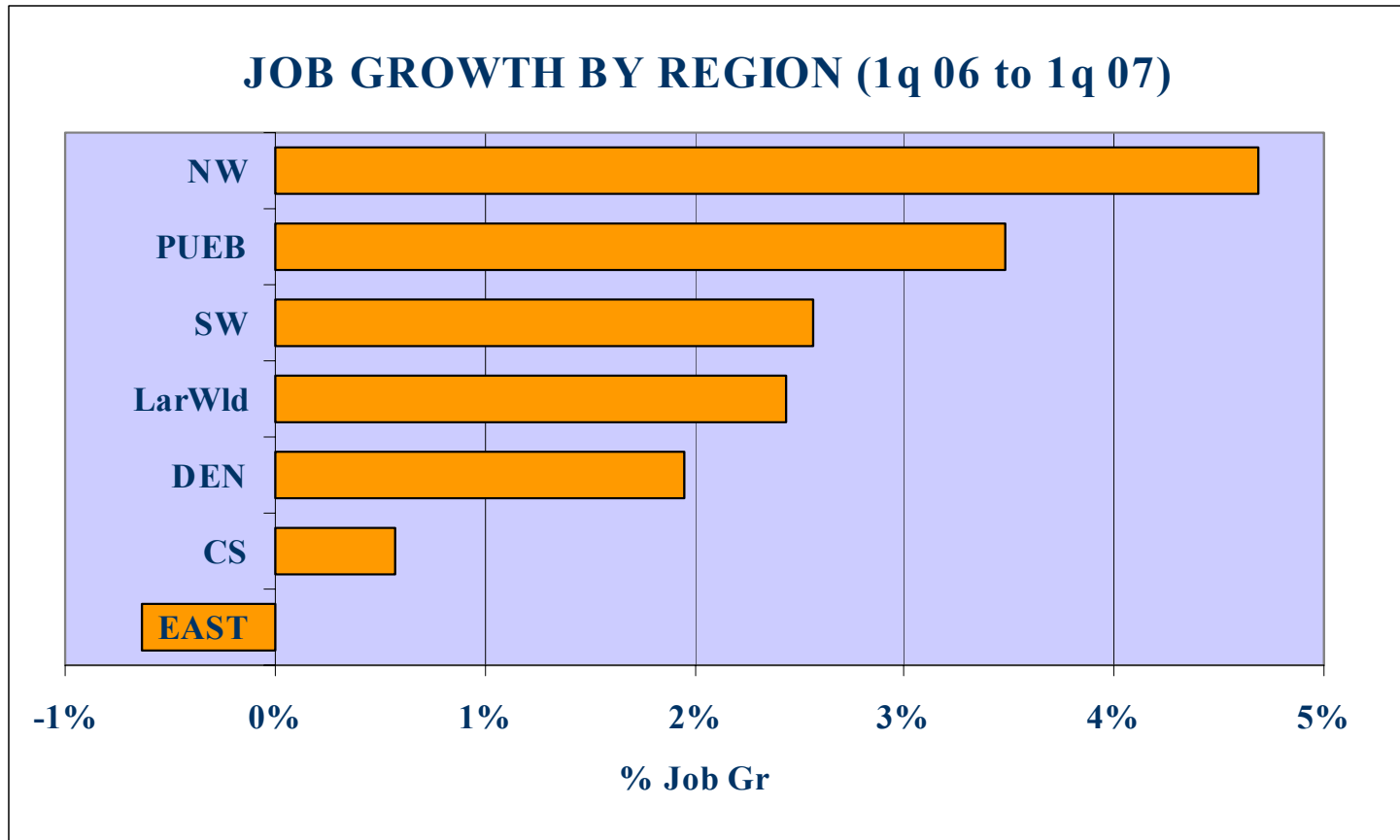
Colorado to add 50,000 jobs this year



State growth this decade has been slowest in 70 years



Growth has varied in the state's regions



US Outlook-Will we have a recession or is this time different?

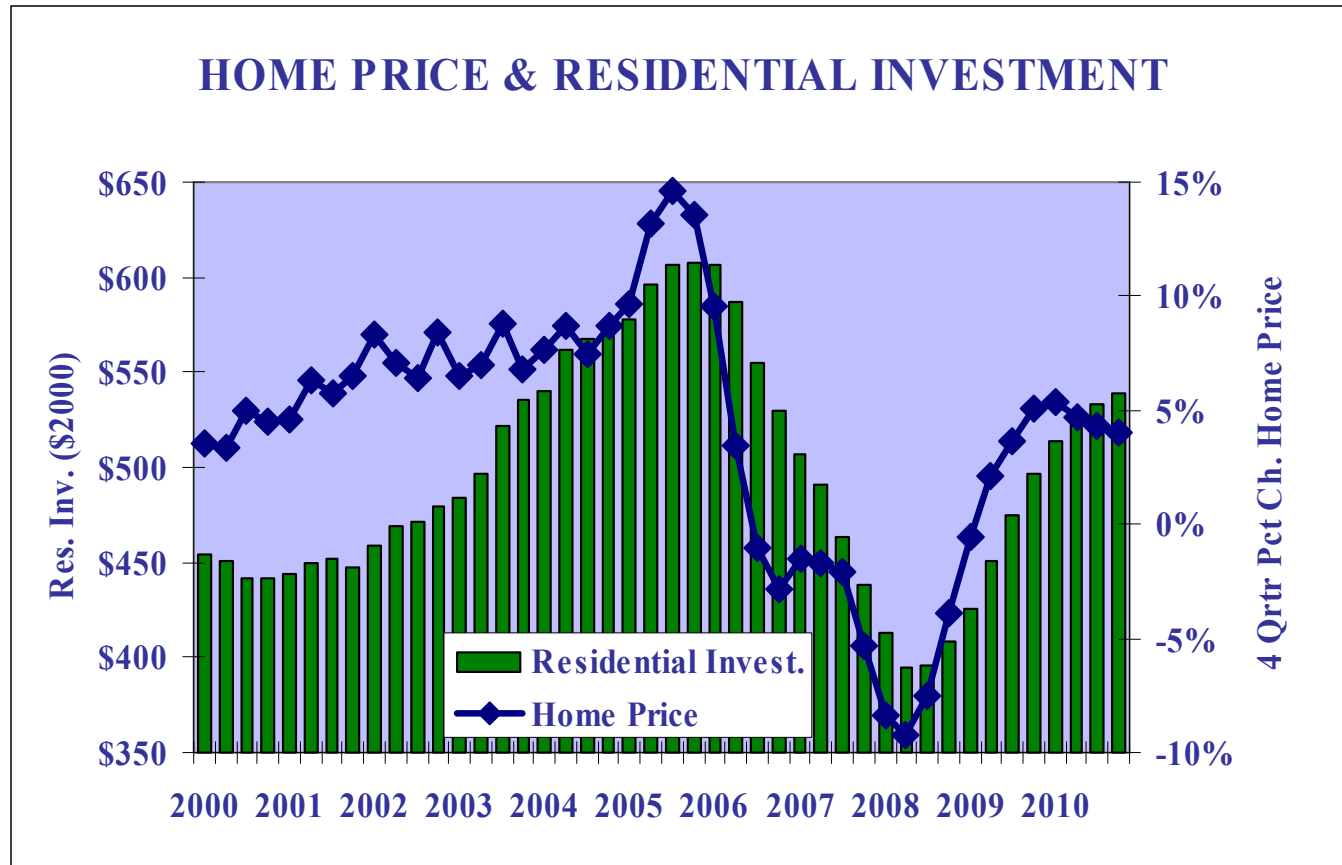
- **Yes!**

- **Housing slump**
- **High energy prices**
- **Credit crunch**
- **Drop in Consumer Confidence**

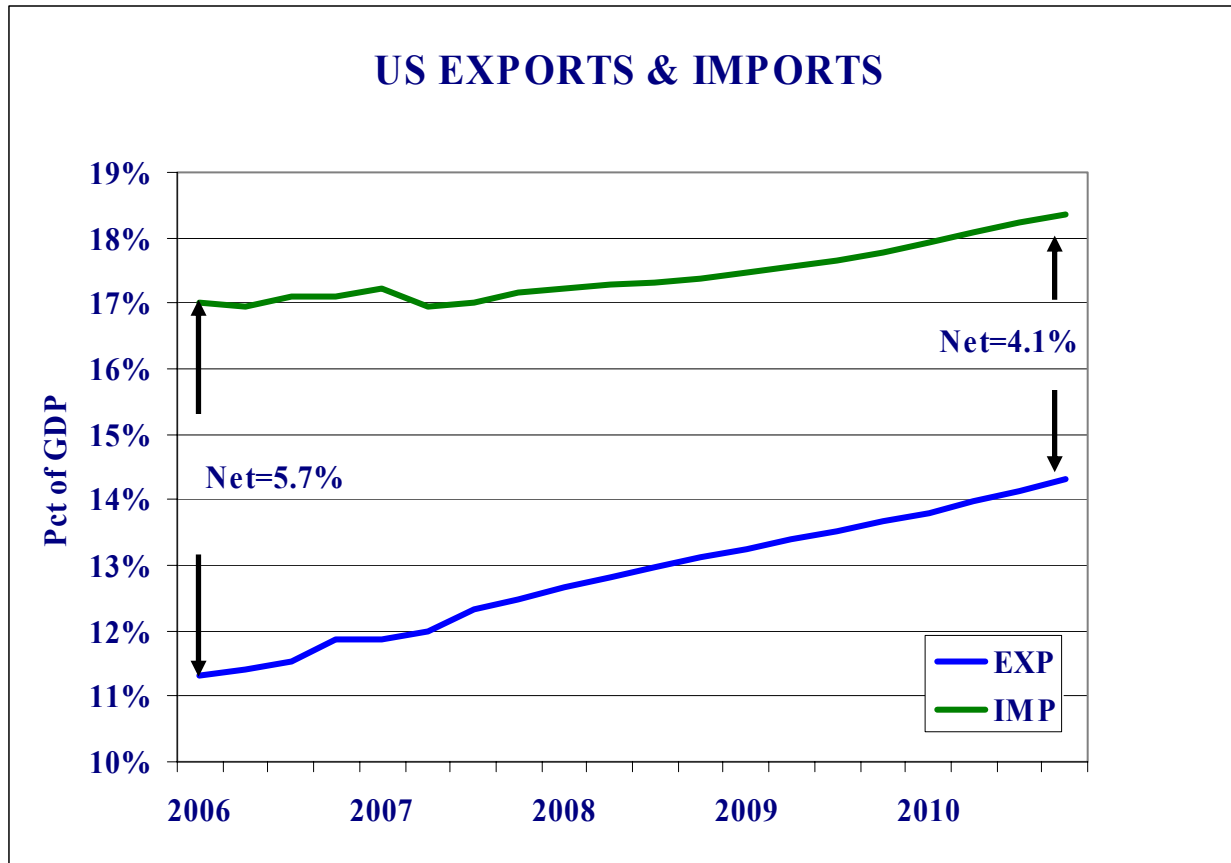
- **No!**

- **Export demand**
- **Low interest rates**
- **Consumers spending holding up**
- **Recent Strong GDP & Job Growth**

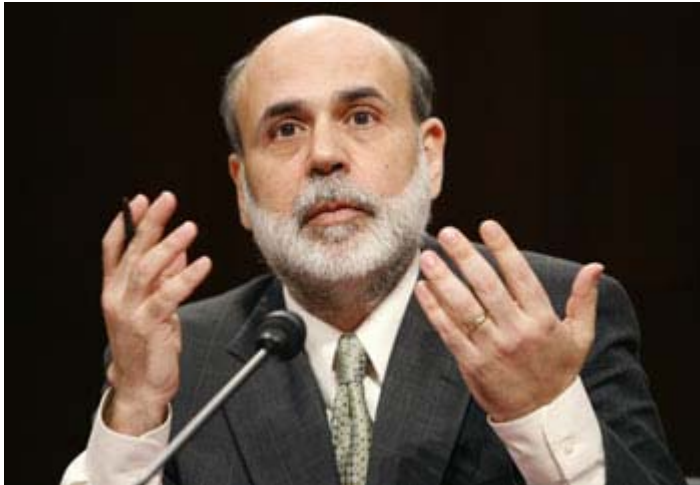
Decline in residential construction will retard growth



US trade deficit will continue to shrink



Troubles in Financial Markets



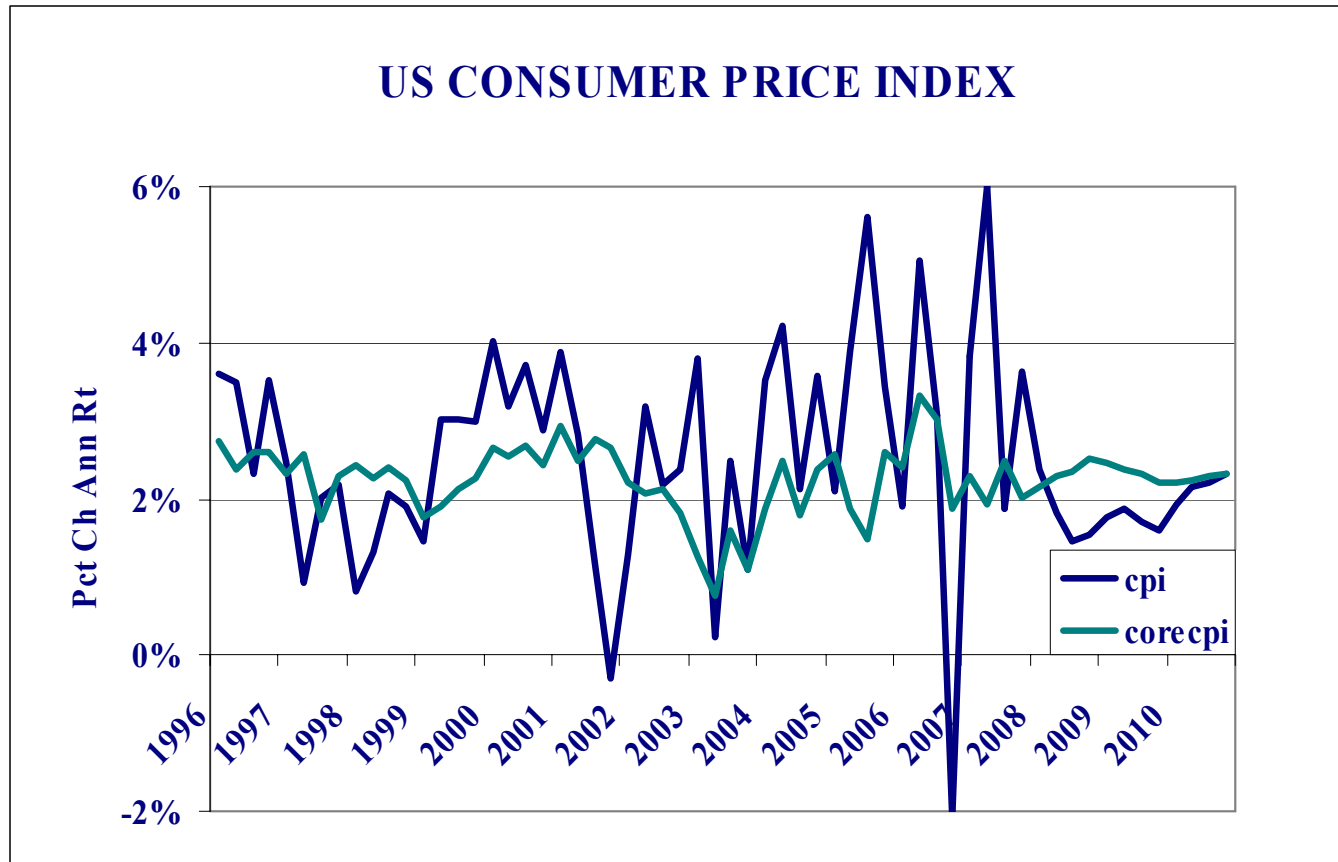
- Sub-prime mortgages & falling home prices
- Inflationary fears
- Falling dollar
- Foreign holding of \$ assets
- CDO's, SIV's & Conduits
- Moral hazard issues

What, me worry?

Growth will slow but recession is avoided



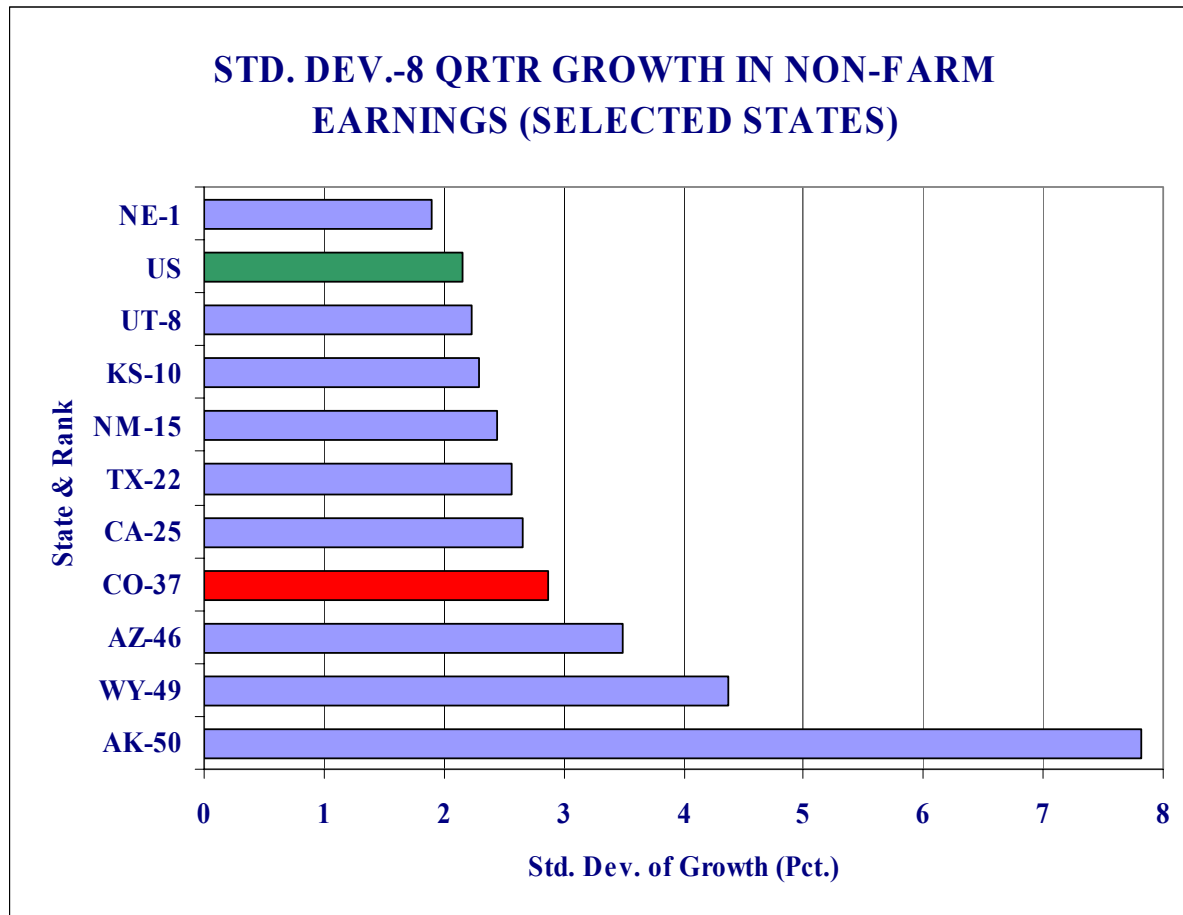
Inflation should remain moderate



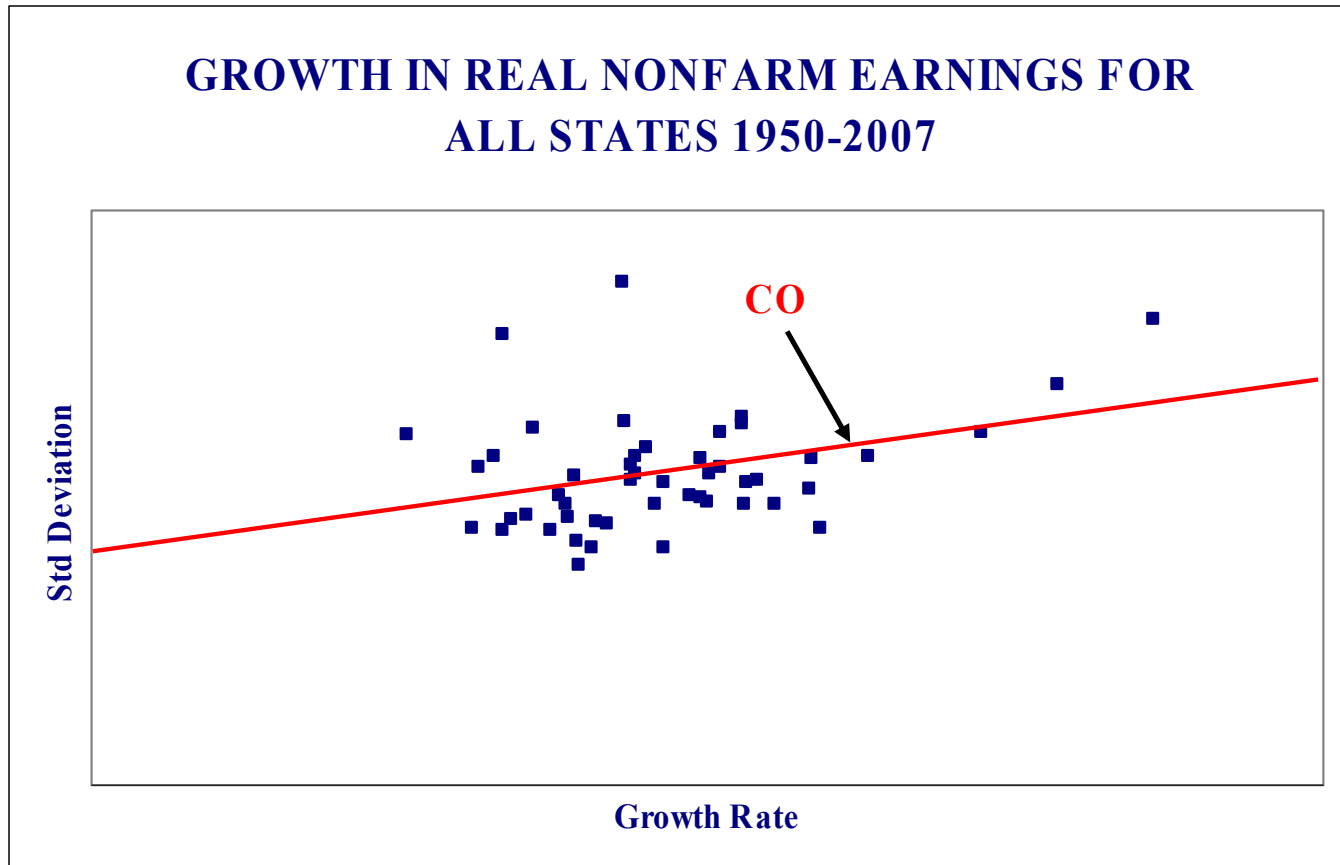
Colorado economy boom & bust?

- **Examined quarterly real non-farm earnings 1950-2007 for 50 states**
- **Computed growth over 4, 8, 12 and 16 quarters for all states**
- **Compared standard deviations**
Compared maximum growth minus minimum growth

Colorado's economy more volatile than average state



Faster growing states tend to be more volatile



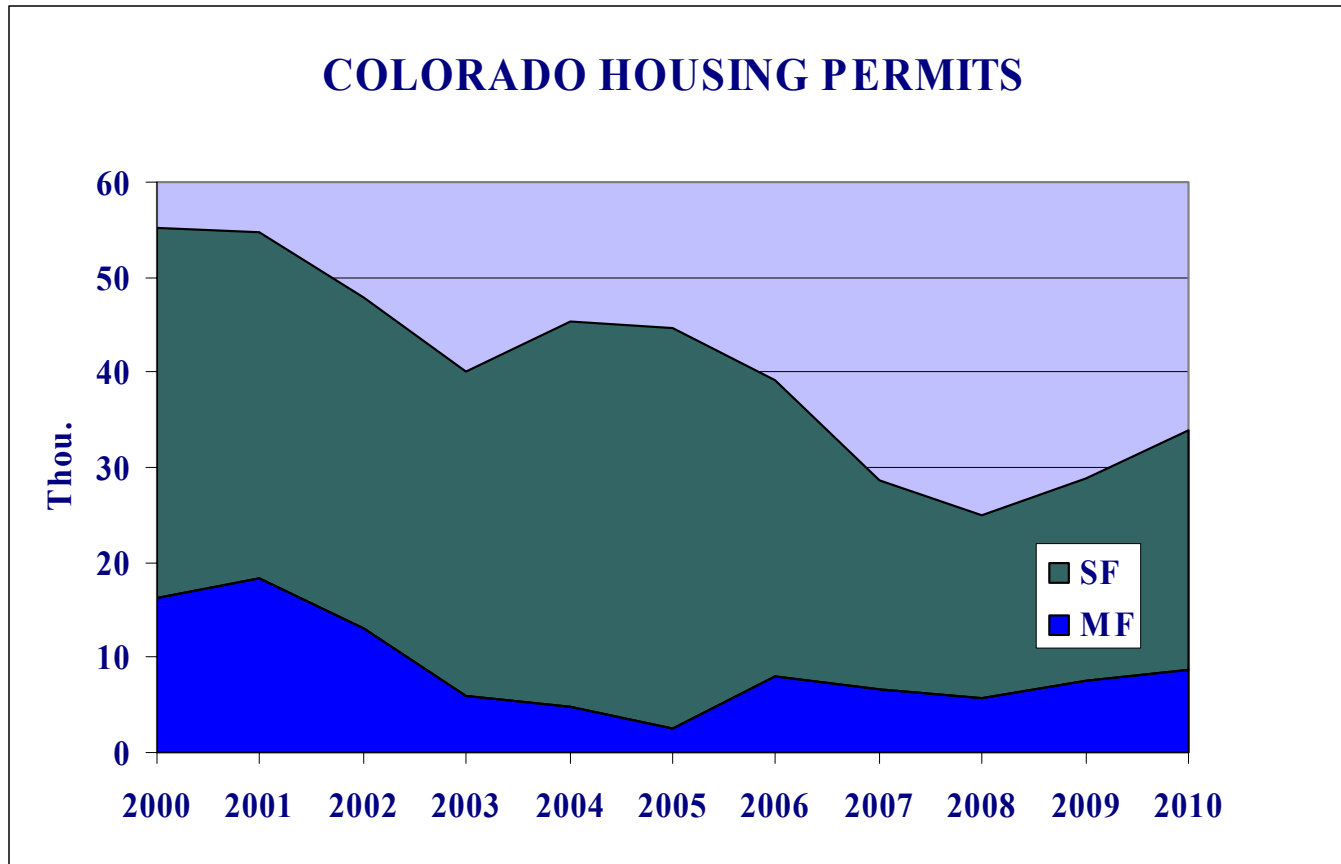
Other Results

- **No relationship between volatility and size of state**
- **Maximum vs. minimum growth-
Colorado relatively less volatile**
- **Colorado more volatile in last 30 years than earlier**

Colorado outlook summary

- **Growth will slow through late 2008 or early 2009.**
- **Further declines in housing and non-residential activity will also slow.**
- **Sales and income growth will be less than last 2 years.**
- **Significant downside risk from national & world developments**

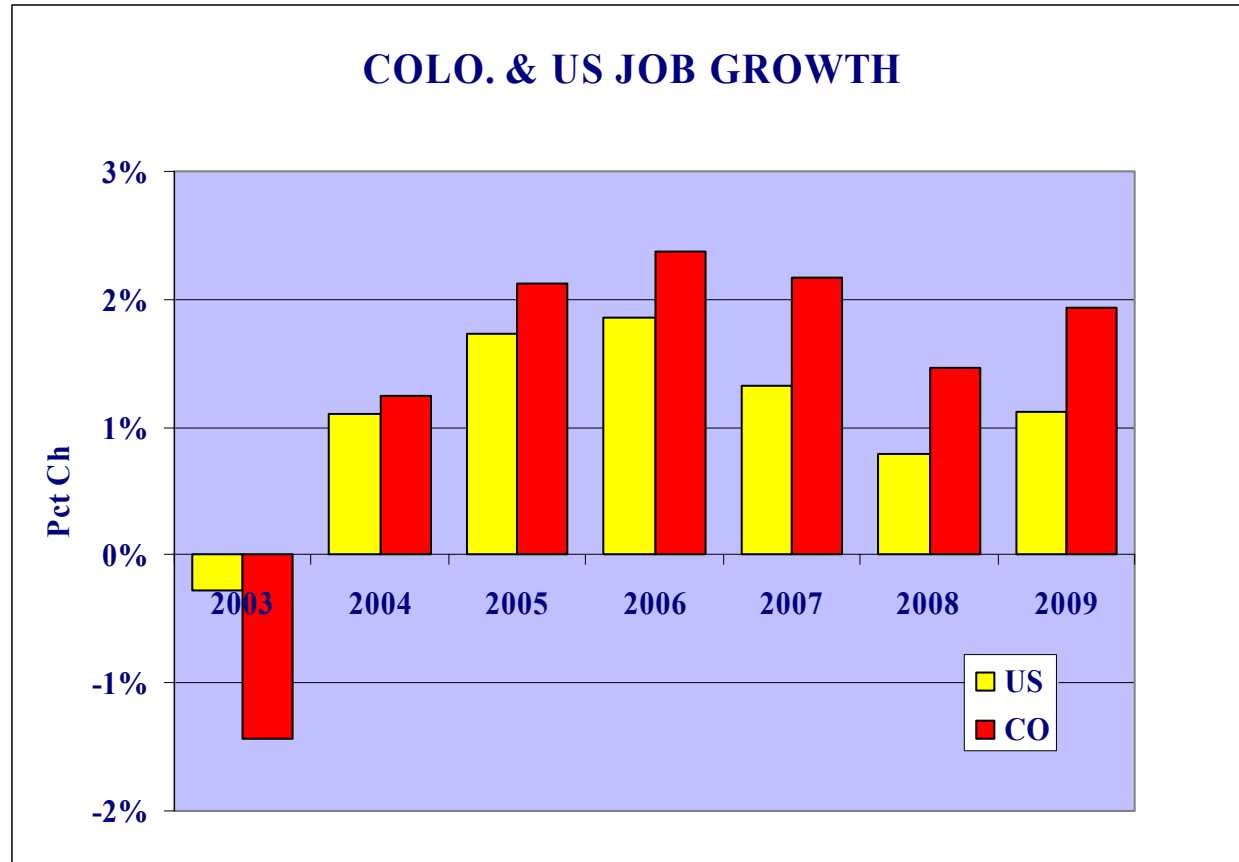
Homebuilding will drop further



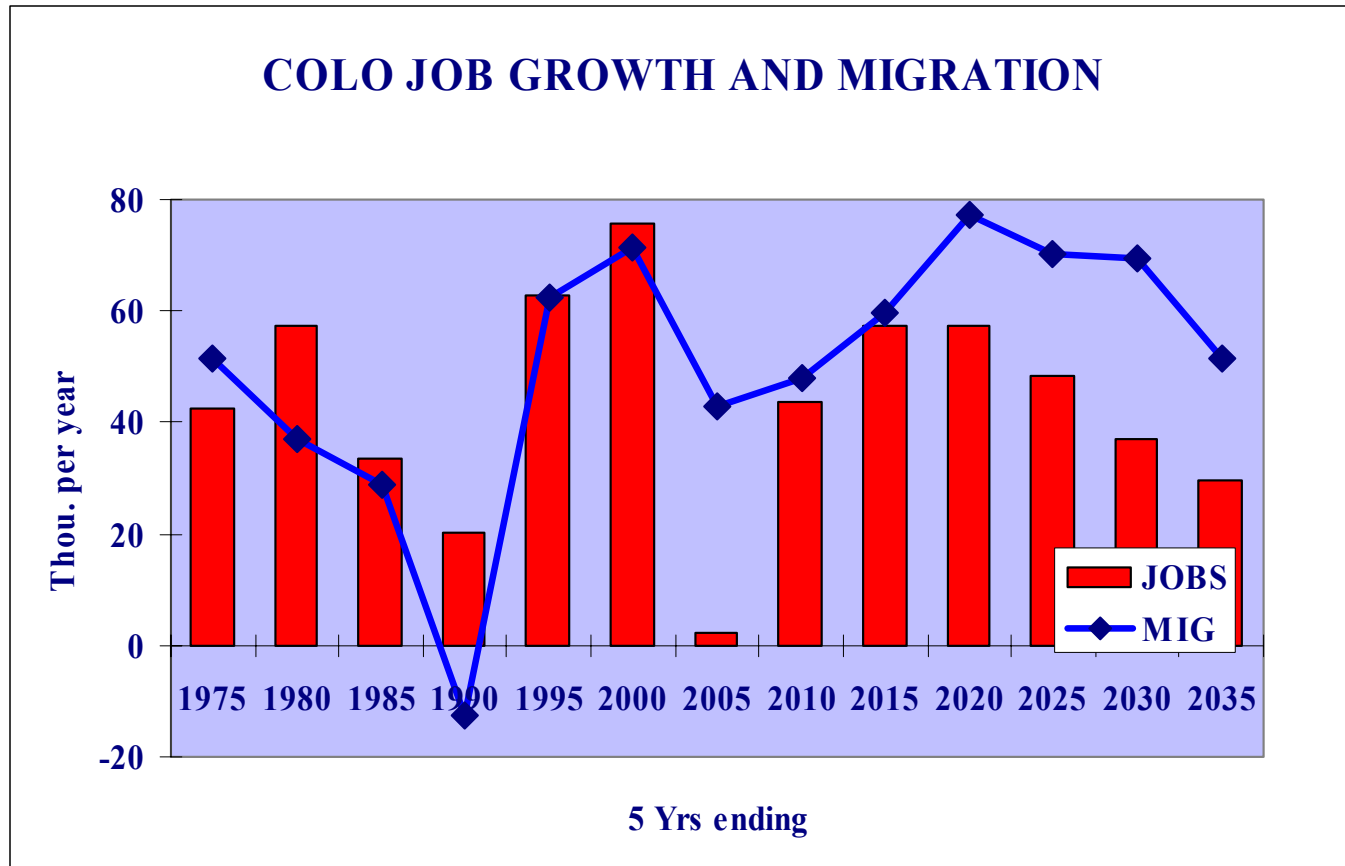
Fastest job growth in services & energy industries



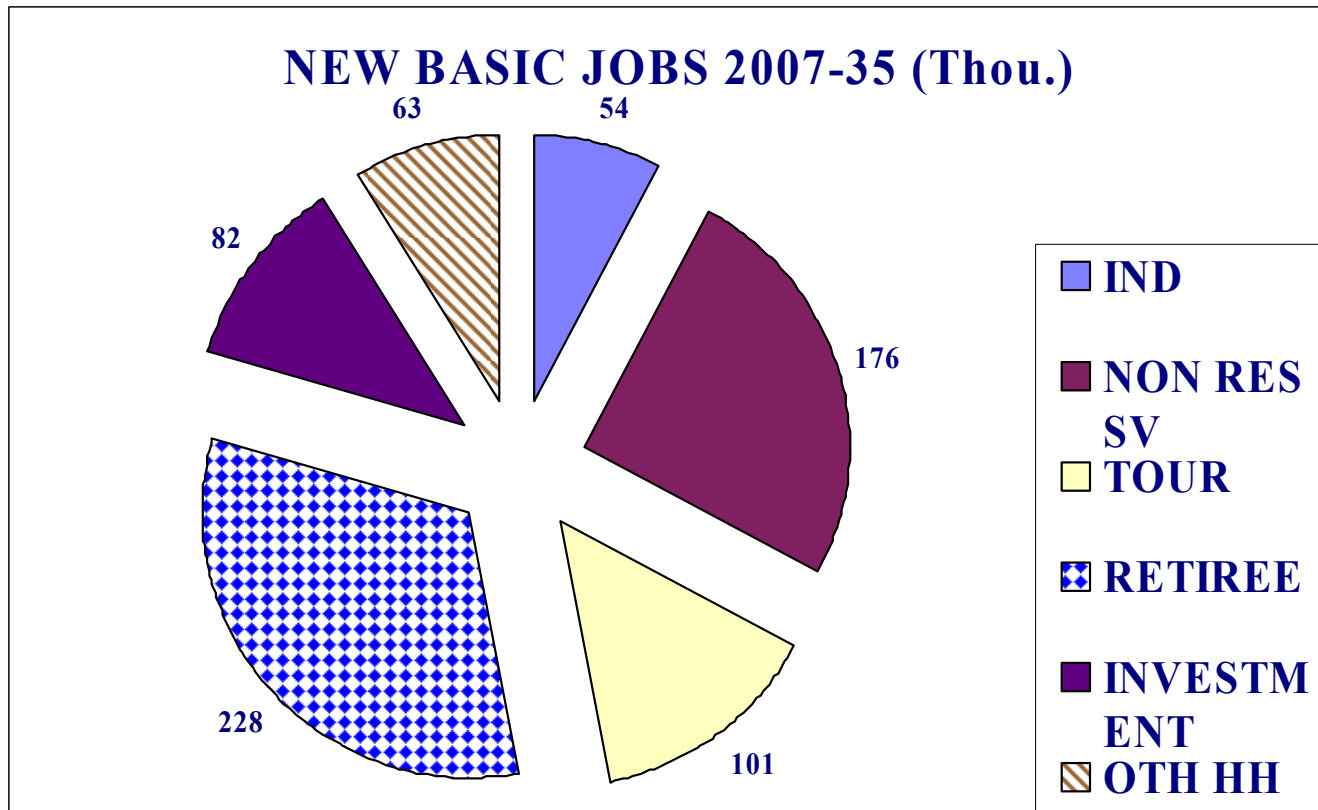
State growth will slow further in 2008



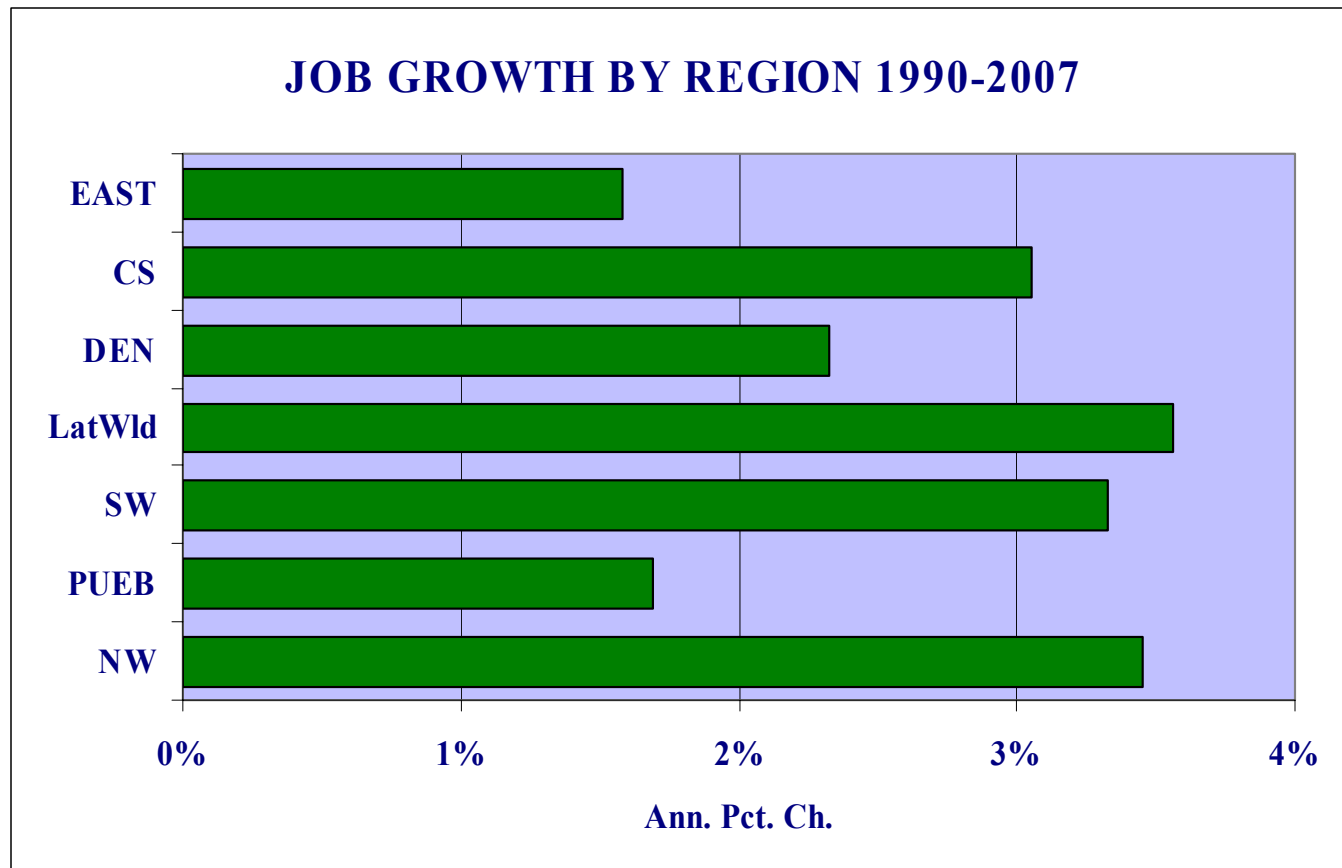
Long-Term outlook: State to add 1.2 mil. jobs and 2.8 mil. people by 2035



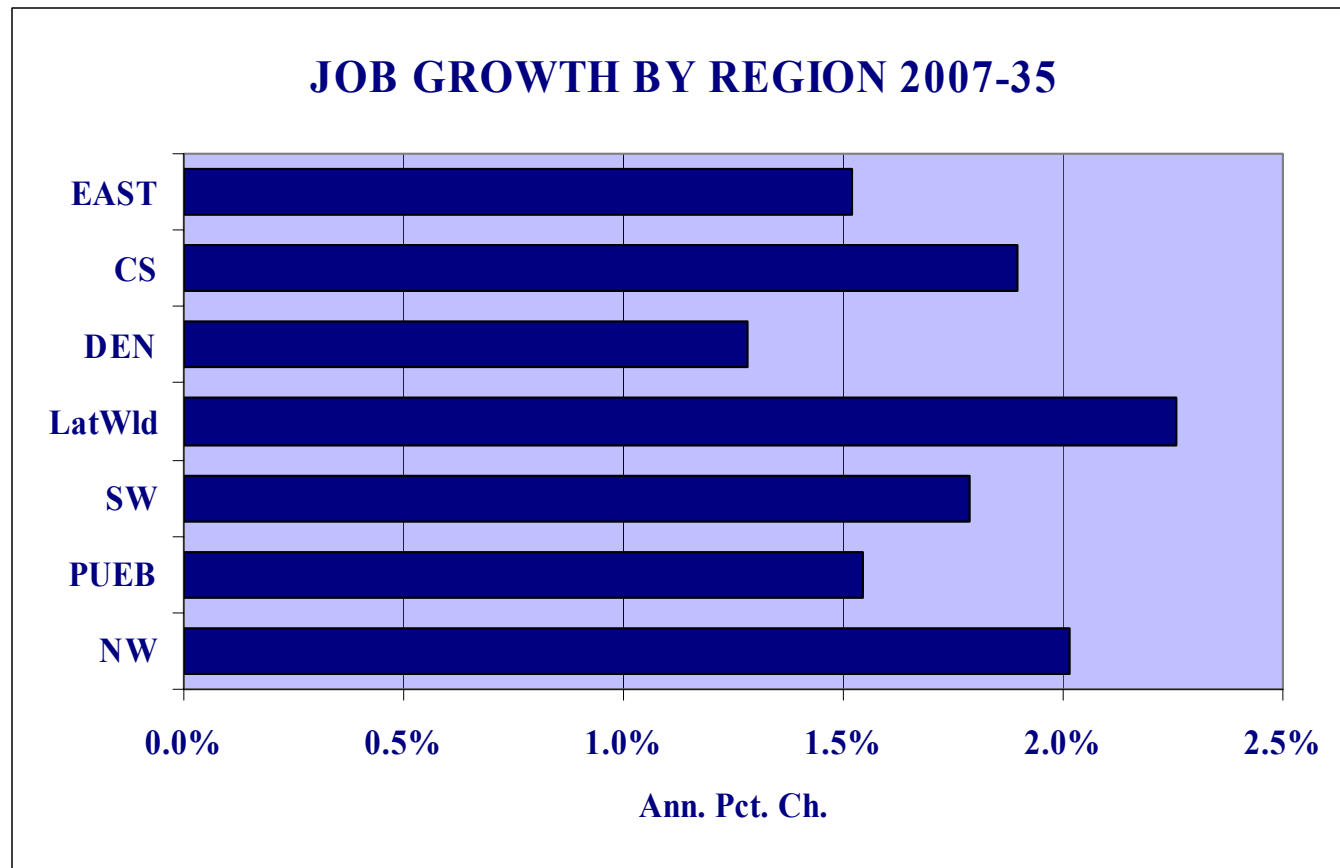
Services to non-residents & retirees will be major drivers



Fastest growth last 20 years was in Larimer Weld & Western Slope



Growth will slow in all regions over next 30 years



US Forecast Summary

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Real GDP-Pct Ch	6 . 6%	6 . 4%	6 . 1%	4 . 7%	4 . 2%	5 . 5%
Real Consumption- Pct Ch.	6 . 4%	6 . 2%	5 . 9%	5 . 4%	3 . 7%	3 . 7%
Nonfarm Jobs- Pct Ch.	1 . 1%	1 . 7%	1 . 9%	1 . 3%	0 . 8%	1 . 1%
Unemployment Rate	5 . 5%	5 . 1%	4 . 6%	4 . 6%	5 . 0%	4 . 8%
CPIU-Pct Ch	2 . 7%	3 . 4%	3 . 2%	2 . 8%	2 . 5%	1 . 7%
Housing Starts (mil)	1 . 95	2 . 07	1 . 81	1 . 35	0 . 99	1 . 38

Source: Moody's Economy.com 11/9/07

Colorado Forecast Summary

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Nonfarm jobs- Pct Ch	1 . 2%	2 . 1%	2 . 4%	2 . 2%	1 . 5%	1 . 9%
Unemployment Rate	5 . 6%	5 . 1%	4 . 3%	3 . 7%	4 . 3%	4 . 2%
Housing Pmts (Thou)	45 . 3	44 . 6	39 . 2	28 . 6	24 . 9	28 . 8
Retail Sales-Pct Ch	5 . 8%	4 . 1%	6 . 3%	5 . 7%	4 . 7%	5 . 9%
Personal Income- Pct Ch	5 . 8%	7 . 3%	7 . 0%	6 . 2%	5 . 3%	6 . 3%
Population- Pct Ch	1 . 4%	1 . 5%	2 . 0%	1 . 9%	1 . 8%	1 . 9%

Colorado 30-year Forecast Summary

(All numbers in thousands)

	<u>90</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2035</u>
Industrial basic jobs	572.9	754.6	795.6	958.4	1,089.1
Pct Ch		2.8%	1.1%	1.9%	0.9%
HH basic jobs	215.8	284.9	330.9	499.7	673.7
Pct Ch		2.8%	3.0%	4.2%	2.0%
Non-basic residents	1,082.7	1,696.1	1,919.1	2,300.5	2,707.8
Pct Ch		4.6%	2.5%	1.8%	1.1%
Total Jobs	1,856.7	2,710.6	3,045.6	3,758.6	4,470.5
Pct Ch		3.9%	1.2%	2.1%	1.2%
Labor Force	1,821.7	2,382.6	2,801.4	3,426.2	4,111.7
Pct Ch		2.7%	1.6%	2.0%	1.2%
Population	3,303.9	4,338.8	5,158.3	6,267.6	7,823.6
Pct Ch		2.8%	1.7%	2.0%	1.5%

Note: Jobs concept differs from that in short-term forecast